

**Tennessee Wildlife Resources Agency**

**For the Years Ended  
June 30, 1996, and June 30, 1995**

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Editor

March 23, 1998

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable Gary Myers, Executive Director

Tennessee Wildlife Resources Agency

Ellington Agricultural Center

Nashville, Tennessee 37204

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Wildlife Resources Agency for the years ended June 30, 1996, and June 30, 1995.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Tennessee Wildlife Resources Agency's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Tennessee Wildlife Resources Agency is responsible for establishing and maintaining the internal control structure and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Tennessee Wildlife Resources Agency's management in a separate letter.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/sk  
97/089

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Tennessee Wildlife Resources Agency**  
For the Years Ended June 30, 1996, and June 30, 1995

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## AUDIT SCOPE

We have audited the Tennessee Wildlife Resources Agency for the period July 1, 1994, through June 30, 1996. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of licenses, fees, and donations; equipment; the annual financial report; the financial integrity act; and utilization of the STARS grant module. The audit was conducted in accordance with generally accepted government auditing standards. In addition, the investigation section performed a special investigation relating to receipts from an auction.

## AUDIT FINDINGS

### **Insufficient Controls Over Cash Receipts\***

Cash-receipting functions are not centralized; checks are not always restrictively endorsed immediately upon receipt; written receipts or a detailed control list of money received is not prepared upon receipt of money; and cash-receipting duties are not adequately segregated. Because of these weaknesses, cash could be lost or misplaced, and the loss could remain undetected (page 4).

### **Noncompliance With Procedures Governing Third-Party License Sales Agents**

Third-party license sales agents do not always submit sales reports or remit funds owed to the state as required by state law. Also, the agency does not always assess penalties in accordance with the law (page 6).

### **Supporting Documentation Is Not Always Maintained**

Several documents requested during the audit could not be located by agency personnel (page 8).

### **The Executive Director Failed To Submit the Annual Report**

The annual financial report has not been prepared since fiscal year 1992-1993, in violation of state law (page 10).

### **Supporting Documentation for the Financial Integrity Report Was Not Completed in a Timely Manner**

Not all workbooks supporting the results included in the annual financial integrity report were completed before the report was submitted (page 11).

### **Employee Malfeasance Not Promptly Reported**

An employee's theft of \$670 in auction sales was not immediately reported to our office. The April 15, 1996, malfeasance was discovered in May and was not reported to the Comptroller until June 1996 (page 13).

\* This finding is repeated from prior audits.

## **PAST FINDINGS NOT ACTED UPON BY MANAGEMENT**

Prior audits of the agency have contained a finding concerning inadequate controls over managed hunts' cash receipts. This finding has resulted from the agency's procedures and practices for processing and verifying the applications which delay the depositing of cash. Management has concurred with this finding, but no corrective measures have been implemented during the audit period to ensure that funds are deposited in a timely manner.

Prior audits of the agency have also contained findings about the agency's providing housing and maintenance benefits to state and nonstate employees without apparent authority to do so. These findings have resulted from the Department of Finance and Administration's failure to formulate a statewide maintenance policy as required by statute. Management has concurred with these repeat findings and stated that it will comply with a maintenance policy when such a policy is issued (page 15).

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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**Audit Report**  
**Tennessee Wildlife Resources Agency**  
**For the Years Ended June 30, 1996, and June 30, 1995**

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# **Tennessee Wildlife Resources Agency**

## **For the Years Ended June 30, 1996, and June 30, 1995**

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### **INTRODUCTION**

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#### **POST-AUDIT AUTHORITY**

This is the report on the financial and compliance audit of the Tennessee Wildlife Resources Agency. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

#### **BACKGROUND**

The mission of the Tennessee Wildlife Resources Agency (TWRA) is to preserve, conserve, manage, protect, and enhance the state’s wildlife and the environment for the use, benefit, and enjoyment of the people of this state and its visitors. TWRA also manages certain non-game wildlife to ensure their continuation. Additionally, the agency is responsible for promoting boating safety in Tennessee.

In order to fulfill its mission, the agency is governed by the Tennessee Wildlife Resources Commission whose ten members are appointed by the Governor and confirmed by legislative committees. Daily operations are performed through two primary areas: staff operations and field operations. The major functions of TWRA include law enforcement; operation of lakes, hatcheries, and management areas; information/education; boating and hunter safety; public information; and habitat protection.

TWRA is self-supporting, financed by revenues from the sale of hunting and fishing licenses and boating and other permits and by fines assessed for the violation of game and fish laws. The agency also receives an apportionment of federal taxes levied on the sale of hunting and fishing equipment under the provisions of the Federal Aid in Wildlife Restoration and Federal Aid in Sport Fish Restoration Acts.

The Tennessee Wildlife Resources Agency and Boating Safety each operate with a revolving fund. The reserve account balances are amounts of revenues exceeding expenditures. The



balances are carried forward every year in the reserve accounts and do not revert to the general fund.

An organization chart of the agency is on the following page.

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## **AUDIT SCOPE**

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We have audited the Tennessee Wildlife Resources Agency for the period July 1, 1994, through June 30, 1996. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of licenses, fees, and donations; equipment; the annual financial report; the financial integrity act; and utilization of the STARS grant module. The audit was conducted in accordance with generally accepted government auditing standards. In addition, the investigation section performed a special investigation relating to receipts from an auction.

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## **OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS**

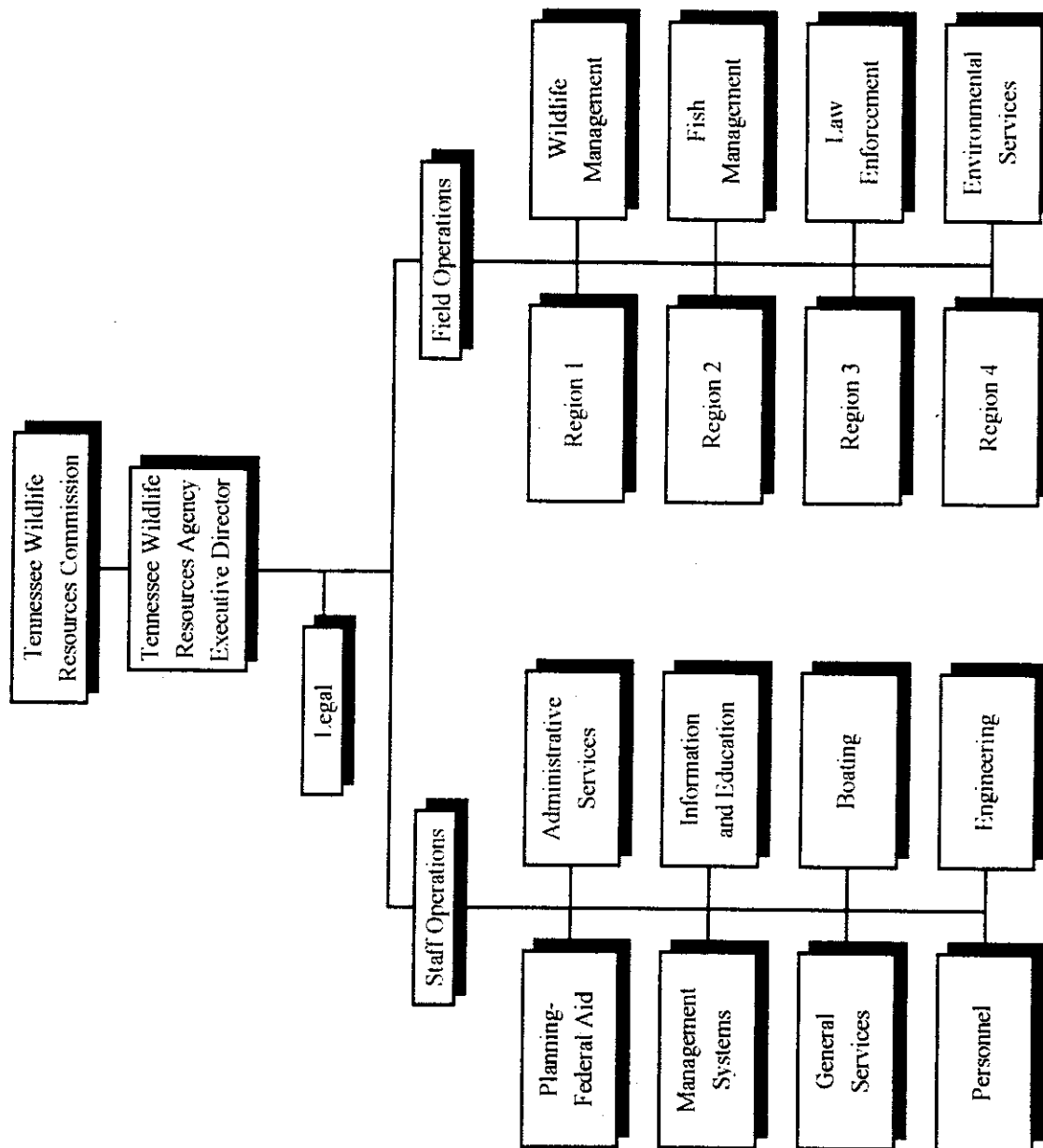
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### **LICENSES, FEES, AND DONATIONS**

The objectives of our review of the licenses, fees, and donations controls and procedures were to determine whether

- controls over revenue received by the agency are adequate;
- certain licenses and boat registrations are issued in accordance with state law, and that the proper amount of revenue is collected;
- controls over *Tennessee Wildlife* magazine revenues are adequate;
- donations received are properly recorded and deposited timely;
- license sales agents are properly bonded, reporting sales of licenses in accordance with state law, and remitting funds in a timely manner;
- penalties are properly assessed for license sales agents who are delinquent in reporting sales and remitting funds; and
- the prior audit finding concerning cash receipts has been corrected.

# TENNESSEE WILDLIFE RESOURCES AGENCY ORGANIZATION CHART



We interviewed key personnel to obtain an understanding of the agency's controls and procedures governing revenue, licenses sold, boat registrations, the *Tennessee Wildlife* magazine, donations, and sales of licenses by license sales agents. We also reviewed supporting documentation for these controls and procedures. Furthermore, we tested nonstatistical samples of license sales agents to determine whether applications and the proper bonds were on file, whether reports and applicable revenue were returned to the agency in accordance with state law, and, if applicable, penalties were assessed in the proper amount. We also selected a nonstatistical sample of boat registrations to determine whether the proper fees were collected, whether all applicable information was completed by the boat owners, and whether the funds remitted were deposited in a timely manner. Certain other licenses were nonstatistically sampled to determine if the fees were collected in accordance with state law and deposited in a timely manner. Also, a sample of donations was tested to determine if the funds were properly recorded and timely deposited. While we found that certain controls and procedures were adequate, controls over cash receipts continue to be inadequate, license sales agents did not return reports and funds in accordance with state law, and various supporting documentation could not be located by the agency. In addition to the findings listed below, other minor weaknesses came to our attention which have been reported to management in a separate letter.

**1. For the seventeenth consecutive year, the agency failed to attempt to implement sufficient controls over cash receipts**

**Finding**

As noted in the eight previous audits, internal controls over the receipt of cash are inadequate. Money for various licenses, permits, subscriptions, and other services, as well as donations, is received in 11 locations in the Nashville office. Cash-receipting functions are not centralized; checks are not always restrictively endorsed immediately upon receipt; written receipts or a detailed control list of money received is not prepared upon receipt of money; receipts are not always deposited in a timely manner; and cash-receipting duties are not adequately segregated. In response to the prior audit finding, management concurred with the philosophy of the finding but foresaw no changes. Although management responded to the problem of timely deposits of money received for managed hunts, they did not address the other cash-receipting problems. The following weaknesses were noted:

- Mail received in the Nashville office is opened and sorted in the mailroom and distributed to the various divisions. Mailroom personnel do not restrictively endorse checks immediately and do not prepare a list of checks received. Although the Licensing Division and a few other offices restrictively endorse checks as soon as they are received, the Boating and Managed Hunts divisions do not restrictively endorse checks until the applications have been processed. Checks received in the Real Estate, Personnel, and Federal Aid Offices are not restrictively endorsed until the funds have been delivered to the Licensing Division to be processed for deposit.

- The Managed Hunts Division and the Personnel and Federal Aid Offices do not prepare receipts or control listings at the time of receipt. As a result, timeliness of deposit could not be tested. Moreover, without such documentation, management cannot determine the amount of money received at any given time.
- Cash-receipting duties are not segregated adequately in the Managed Hunts office. In this office, one person is responsible for opening a portion of the mail, processing the checks, and preparing the deposit slip. As we have advised management, employees with similar duties in other agencies have been able to misappropriate funds and conceal shortages.

Because cash-receipting functions have not been centralized and duties have not been adequately segregated, cash could be lost or misplaced, and the loss could remain undetected. In addition, because checks have not been endorsed at the earliest possible time, they could be stolen and cashed. If receipts are not written, the timeliness of deposit cannot be determined.

### **Recommendation**

Management should implement procedures to strengthen controls over cash receipts. Management should consider the following items when reviewing their controls: cash receipting should be centralized; checks should be restrictively endorsed when received; written receipts or a control list of all money should be prepared detailing the date of receipt, the payer, the amount received, and the section to which the money will be distributed; control lists should be reconciled with deposits to ensure that all items received are accounted for and deposited; control lists should be retained as support for deposits; deposits should be made in a timely manner; and cash-receipting duties should be segregated.

### **Management's Comment**

We concur. During next fiscal year the expansion of the Nashville Office will allow for additional space to develop a central receipting office which is anticipated to eliminate the majority of this finding. Incoming mail will be received in the area where funds should be receipted immediately upon the opening of mail and deposited timely.

As a routine, checks are not received in Real Estate, Personnel, and Federal Aid offices. Occasionally mail with checks included will be received in an office such as the above. As of February 1996, all central offices have been directed to endorse, list, and transport to the License Division for deposit.

As stated in the prior audit, the agency extensively reviewed the managed hunt process and requested assistance from Finance and Administration. We significantly altered the receiving/receipting routine to include segregation of duties as of July 1, 1996, for all quota hunts but the Turkey Hunt. As of spring 1998 an additional employee will be used part time to provide

separation of duties for that hunt by opening mail and logging applications. We use a batch ticket to account for applications received which contain an independent verifier's initials. Due to the complexity of the program we requested and received a variance to the immediate bank deposit of funds (F&A Policy #25-Deposit Practices). We have clearance to deposit within five working days during peak work periods. While we made positive strides in each area, we will continue to improve on the delay of deposits.

## **2. Compliance with procedures governing third-party license sales agents is inadequate**

### **Finding**

The Licensing Division has failed to follow its procedures and state law governing third-party license sales agents. The third-party license sales agents are businesses throughout the state that sell hunting and fishing licenses on a consignment basis. The following weaknesses were noted:

- Sales reports and money owed to the Tennessee Wildlife Resources Agency were not always submitted by third-party license sales agents in a timely manner. *Tennessee Code Annotated*, Section 70-2-105(b), requires all agents to submit "a detailed report covering all sales of licenses during the previous month." This report is to be submitted on or before the fifteenth day of each month and is to be accompanied by all money owed. Also, *Tennessee Code Annotated*, Section 70-2-105(c), further states that on March 1 of each year, agents shall "return to the executive director all stubs and unused licenses with full settlement of the agent's account for the year ending the last day of February." Some agents submitted sales reports after the fifteenth of the month and after the March 1 deadline. Also, a review of the issue date revealed that some agents report sales one or two months after the sale.
- The Licensing Division did not always date-stamp sales reports when received from the agent. Without this date, there is no audit trail or support with which to assess a penalty against agents who do not comply with state law.
- Third-party license sales agents did not always complete the license stubs as required by state law. Section 70-2-107, *Tennessee Code Annotated*, states that licenses shall be dated the true date of issue. However, in some cases, the date of issue was not completed. If this date is not completed, the licensing division cannot determine when the license was sold and whether the agent reported the sale in the correct month.
- Third-party license sales agents occasionally report licenses as sold without remitting all money owed to the licensing division. As a result, the licensing division is required to assess a penalty as stated in *Tennessee Code Annotated*, Section 70-2-105(d):

Any person failing to make the required report and remittance of all state funds as required in this section within thirty (30) days after the report and remittance is due shall be deemed delinquent and shall pay a penalty of five percent (5%) on all funds owing and which were not remitted or paid over within the time prescribed by this section.

TWRA currently imposes a penalty on late sales reports. However, the penalty is not consistently applied. Penalties are not always assessed for sales agents who owe funds to the licensing division. If a penalty is assessed, it is not compounded if the sales are reported and the funds are remitted more than thirty days late. If the correct penalty is not assessed, the agency has not complied with state law and funds owed to the state are not paid.

### **Recommendation**

The executive director should reiterate to all third-party license sales agents that they have a responsibility to report sales and remit all money owed in accordance with state law. The licensing division personnel should ensure that third-party sales reports are date-stamped when received and that any penalties are consistently and correctly assessed. The agency should also develop criteria for handling agents who do not follow the third-party license sales agents procedures.

### **Management's Comment**

We do not concur. Third-party license agents who don't submit their sales report by the 15th of the following month are charged a penalty according to *Tennessee Code Annotated* 70-2-105. Also, those agents delinquent at year-end are charged a penalty and have their license consignments withheld until the settlement is complete.

Date stamped material would only identify the date which the sales report was opened in the License Division, not when the report was submitted as required by the *Tennessee Code Annotated* 70-2-105. The envelope post mark is used to determine submission date and whether a penalty is to be charged. However, documents received in the future will be date stamped.

License stubs received with no date included are considered sold upon receipt by the third party license agent. If the receipt is outside the requirement for current reporting, the agent is charged a late penalty. If the agent does not pay the full amount owed including penalties, the Agency files claim with the surety company and the outstanding debit is paid. The Tennessee Code Sections mentioned in the audit findings do not authorize the compounding of a penalty.

## Rebuttal

As to management's comment that penalties are assessed when agents submit late reports or when agents are deemed delinquent, our testwork revealed that penalties were not always assessed in these cases. For example, one agent did not return prior-year licenses totaling \$131 by April 1, 1996, and \$237 by April 1, 1995, as required. The balances were paid September 3, 1996, and July 14, 1995, respectively. However, no penalty was assessed for these late payments. In addition, TWRA does not assess a penalty on the balance of funds owed by agents who do not remit all funds as required. Thus, these agents are allowed to use unauthorized state funds to their own gain without being penalized.

In management's comment regarding date-stamped material, they indicate that "the envelope post mark is used to determine submission date" for sales reports. However, this information was not made available to us during testwork nor did the supporting documentation we received for the sales reports contain any envelopes. If an envelope's post mark is used to determine the date of submission, then the envelope should be attached to the sales report as supporting documentation of the date the report is received.

Management contends that *Tennessee Code Annotated 70-2-105* does not authorize the compounding of a penalty. However, *Tennessee Code Annotated 70-2-105* requires a five percent penalty on all funds owed and not paid within 45 days after the end of the month. We believe the funds owed include any penalties assessed as well as money collected for license sales during the previous month. Since this law is not clear on the subject of compounding, TWRA management should contact the Attorney General's office to obtain a ruling on the intent of this law and whether compounding is appropriate.

### 3. Supporting documentation was not always maintained

## Finding

Agency personnel could not locate all documentation requested by the auditors. Licensing Division personnel were unable to produce five third-party license sales agent reports and/or license transmittal forms, 11 check listings, and one third-party license sales application. Systems Management Division personnel were unable to locate one box of license stubs, and two boxes which were located did not contain all the license stubs. *Tennessee Code Annotated*, Section 8-4-111, states, "The comptroller of the treasury has the authority to require any and all . . . agencies of the state government to maintain their accounts, records, documents, vouchers, requisitions, payrolls, canceled checks and coupons, and other evidences of financial transactions in such manner as to expedite the work of post auditing." If appropriate documents are not maintained and filed, the agency has no support for its fiscal and other activities.

## **Recommendation**

Top management should establish a system to file documents in an organized manner that will make the retrieval of documents easier and will provide adequate support for the agency's activities. The system should be explained to all employees, and the importance of maintaining documents in an organized manner should be stressed to all employees.

## **Management's Comment**

We concur. Check listings identified were included in a sequence produced by an employee mentioned in finding 6 who admittedly misappropriated \$670. To date these cannot be located. However, eleven missing check listings and license stubs for one agent's report do not indicate that a system to file documents has not been established nor that the importance of such is taken lightly. The system will be reviewed and the importance of proper filing will be stressed to concerned employees.

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## **EQUIPMENT**

The objectives of our review of equipment controls and procedures in the Tennessee Wildlife Resources Agency were to determine whether

- agency controls ensured that equipment was properly safeguarded and properly recorded on the equipment listing and in the accounting records, and
- equipment leased from the Office for Information Resources is inventoried on an annual basis and the results of that inventory are reported to the Department of Finance and Administration.

We interviewed key agency personnel to gain an understanding of the agency's procedures and controls for safeguarding and accounting for equipment including the physical inventory procedures. We also reviewed supporting documentation for these controls and procedures. Furthermore, we tested nonstatistical samples of equipment items and equipment payments. This involved locating the items and determining if items agreed by description, tag number, serial number, and location with the equipment listing. We also ensured that equipment recorded in accounting records was also recorded on the equipment listing. We had no findings related to equipment; however, other minor weaknesses came to our attention which have been reported to management in a separate letter.



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## **ANNUAL FINANCIAL REPORT**

Our work in this area consisted of determining whether the executive director had submitted an annual report to the governor and the wildlife commission as required by state law. We interviewed key department personnel about this report and found that an annual report had not been completed since the 1992-1993 fiscal year.

### **4. The executive director failed to submit an annual report**

#### **Finding**

The executive director of the Tennessee Wildlife Resources Agency failed to submit the required annual financial report to the governor and to each member of the Tennessee Wildlife Resources Commission. *Tennessee Code Annotated*, Section 70-1-307, states that “it is the duty of the executive director . . . to prepare and present to the governor and each member of the wildlife resources commission an annual report showing what has been expended by the agency during the year immediately preceding, the amount of moneys received and from what source and the amount expended and for what purposes.” This report is to be submitted to the governor on or before September 15 of each year.

During the past several years, this report has not been presented by the deadline or has not been presented at all. The last report presented was printed in April 1994 for the 1992-1993 fiscal year. The 1993-1994 report is still in the draft stage, and the 1994-1995 and 1995-1996 reports have not been completed as of June 6, 1997. Because the agency has not published an annual report for the last three fiscal years, it is not in compliance with state law.

#### **Recommendation**

The executive director should establish procedures that will ensure the timely completion of the annual report to the governor and to the Tennessee Wildlife Resources Commission. The procedures should be adequately communicated to personnel responsible for preparing the report.

The executive director should monitor the progress of the report and ensure that the report is submitted on or before September 15 of each year.

#### **Management's Comment**

We concur in part. In August TWRA submits a financial report to the TWRC identifying revenues and expenses of the preceding year for use in reviewing the Agency's position for funding the following year's programs. In the future this report will be supplied to the Governor's

office. Actual revenues and costs cannot be included because, historically, the Department of Finance and Administration does not close the year and produce accounting data until the following January.

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## **FINANCIAL INTEGRITY ACT**

The objectives of our testwork were to determine whether

- the agency's report was filed in compliance with the Financial Integrity Act of 1983,
- procedures used in compiling information for the report were adequate,
- corrective actions have been implemented for weaknesses identified in the report, and
- the report was submitted in accordance with state law.

We interviewed the key employee responsible for compiling information for the report to gain an understanding of the procedures. We also reviewed the workbooks prepared by the staff and the report submitted to the Comptroller of the Treasury and the Department of Finance and Administration. We found that support for the financial integrity report was not always completed or was not completed prior to December 31.

### **5. Some of the supporting documentation for the annual financial integrity report was not completed in a timely manner**

#### **Finding**

Some of the supporting documentation for the annual financial integrity report was not completed and reviewed before the report was prepared. *Tennessee Code Annotated*, Section 9-18-104, states:

- (a) By December 31 of each year, the head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed under the preceding section, prepare and transmit to the commissioner of finance and administration and the comptroller of the treasury a report which states that:
  - (1) The agency's systems of internal accounting and administrative control fully comply with the requirements specified in this chapter; or

- (2) The agency's systems of internal accounting and administrative control do not fully comply with such requirements.
- (b) In the event that the agency's systems do not comply with such requirements, the report shall include and identify any material weaknesses in the agency's systems of internal accounting and administrative control and the plans and schedule for correcting such weaknesses.

The financial integrity study consists of workbooks supplied by the Department of Finance and Administration that are to be completed by all divisions and turned in for review and compilation of the overall report for the agency. The workbooks are to be completed during the first week of December to allow the report to be compiled and sent to the proper officials before December 31 of that year.

A review of support for the 1995 report revealed that three divisions did not return their workbooks, and 12 of 42 workbooks (29%) were not signed by the supervisor until after the report was prepared. Review of support for the 1996 report revealed that 18 of 47 workbooks (38%) were signed by the supervisor after the report was prepared.

If the workbooks are not completed prior to year-end, the agency cannot comply with state law in completing an accurate assessment of its accounting and administrative controls.

### **Recommendation**

The executive director should ensure that all workbooks are completed in a timely manner. The executive director should also ensure that all information is considered as the report is being prepared.

### **Management's Comment**

We concur; however, late respondents were contacted prior to the submission of the final report to determine if internal control weaknesses existed.

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### **DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20, "RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES"**

Department of Finance and Administration Policy 20 requires that state agencies whose financial records are maintained on the State of Tennessee Accounting and Reporting System

(STARS) fully utilize the STARS grant module to record the receipt and expenditure of all federal funds. Our testwork focused on whether

- appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award, and related revenue and expenditure transactions were coded with the proper grant codes;
- appropriate payroll costs were reallocated to federal programs within 30 days of each month-end using an authorized redistribution method;
- the agency made drawdowns at least weekly using the applicable STARS reports;
- the agency negotiated an appropriate indirect cost recovery plan, and indirect costs were included in drawdowns; and
- the agency utilized the appropriate STARS reports as bases for preparing the Schedules of Federal Financial Assistance and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the agency's procedures and controls concerning Policy 20. We had no findings related to policy 20; however, other minor weaknesses came to our attention which have been reported to management in a separate letter.

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## **RECEIPTS-SPECIAL INVESTIGATION**

On June 19, 1996, our office was notified of a possible malfeasance by a former agency employee. The former account clerk was alleged to have misappropriated funds from the agency facility in Nashville, Tennessee, on April 15, 1996, funds which were collected from an annual auction. The objectives of our review were to determine the former employee's involvement, the amount of loss, and whether internal controls over receipts from auctions were adequate.

We interviewed current and former agency staff. We determined that the former account clerk was responsible for the theft of \$670. Agency personnel failed to adhere to the agency's policies and procedures and failed to notify our office immediately of the money shortage.

### **6. Employee malfeasance not promptly reported**

#### **Finding**

Every year the agency holds auctions in numerous counties across Tennessee at which confiscated weapons are sold. After being notified by the agency on June 19, 1996, of possible employee misfeasance relating to these sales, we determined that the agency personnel failed to

convert cash sales into a check or money order, deposit cash sales, and issue receipts. The employee's theft of \$670 in auction sales on April 15th was not immediately reported to our office as required by *Tennessee Code Annotated*, Section 8-19-501.

On April 13, 1996, \$670 in cash was collected by a wildlife officer from an auction in Wayne County. On April 15, 1996, the officer's supervisor delivered the \$670 and related sales documents to the TWRA License Office at Ellington Agricultural Center in Nashville, Tennessee. This appears to be in violation of the agency's policies and procedures for auctions which require the cash proceeds to be converted to a cashier's check or money order. According to statements from the former account clerk who received these funds at the office, the officer delivered the cash and left before requesting a receipt. The former account clerk also admitted that she misappropriated this cash and destroyed the related sales documents.

On May 3, 1996, an administrative secretary who maintains files on the defendants from whom the weapons were confiscated inquired about the related sales documents for the defendants from Wayne County. A search of the License Office by agency staff determined that the receipts from the Wayne County auction had not been deposited and no evidence was found that the receipts had been delivered. The wildlife officer and his supervisor were later questioned by agency staff regarding the receipts and both stated that the money was delivered. On May 27, 1996, this information was made available to the Licensing Office and the Chief of Administrative Services. The account clerk was questioned and denied receiving the money. Both the supervisor and the account clerk were requested to provide a written statement regarding the matter. Both the supervisor's memorandum dated June 11, 1996, and the account clerk's letter dated June 12, 1996, denied responsibility for the funds. On June 17, 1996, the account clerk transferred to the Department of Safety.

On July 2, 1996, the account clerk was interviewed by staff of the Division of State Audit. The account clerk admitted to misappropriating approximately \$800 and destroying the related sales documents. Subsequently, the agency recreated the sales documents and determined that the theft was actually \$670.

The account clerk's employment with the Department of Safety was terminated for gross misconduct on July 3, 1996. This information was referred to the District Attorney General, 20th Judicial District (Davidson County), for possible criminal prosecution.

### **Recommendation**

Agency officials should immediately report any knowledge of money shortages to our office. Agency officials should take the appropriate actions to ensure employees properly log receipts after delivery to the License Office, deposit receipts in a timely manner, and convert all cash proceeds into cashier's checks or money orders.

### **Management's Comment**

We concur. In the future, money losses will be promptly reported to the Comptroller's Office. Sales from auctions will be converted to cashier checks and receipted when received in the Licenses Office.

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### **PRIOR AUDIT FINDINGS**

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Tennessee Wildlife Resources Agency filed its report with the Department of Audit on March 5, 1996. A follow-up of all prior audit findings was conducted as part of the current audit.

### **RESOLVED AUDIT FINDINGS**

The current audit disclosed that the Tennessee Wildlife Resources Agency has corrected previous audit findings concerning controls over gasoline credit cards, inspection of state property, controls over state property used in hunter education courses, conducting exit interviews, reporting of indications of employee misfeasance or malfeasance, and controls over long distance personal telephone calls.

### **REPEATED AUDIT FINDING**

The prior audit report also contained a finding concerning insufficient controls over cash receipts. This finding has not been resolved and is repeated in the applicable section of this report.

### **PAST FINDINGS NOT ACTED UPON BY MANAGEMENT**

Prior audits of the Tennessee Wildlife Resources Agency have contained three findings which management has not acted upon. The findings are described below.

1. Controls over managed hunts' cash receipts are inadequate. Management concurred with the finding's philosophy and obtained an exception to Department of Finance and Administration Policy 25 on February 25, 1996. This exception allows the agency no more than five business days to deposit funds during the peak periods of July 17-31 and September 11-25. During the period covered by the audit, no corrective measures had been implemented to ensure that all cash received had been deposited in a timely

manner. Agency procedures and practices routinely delayed the processing and depositing of cash.

According to agency personnel, information received from managed hunts applicants must be verified for accuracy; however, verifying the information is labor-intensive and thereby delays the deposit of funds submitted with the application. When inaccurate data is detected, the application and funds are returned immediately to the sender for correction. If the funds have already been deposited, additional time is consumed in requesting a refund before the application is returned to the applicant, and the applicant's ability to resubmit by the cut-off date is thus jeopardized.

However, if the agency does not deposit cash promptly, cash items could be lost or misused without management's detection. In addition, the state could lose the interest income that could be earned if the cash items were deposited promptly. Section 9-4-301, *Tennessee Code Annotated*, requires that all money received by the state be deposited immediately.

2. The agency provided unauthorized maintenance benefits to employees. Section 8-23-201, *Tennessee Code Annotated*, requires that maintenance benefits be provided to employees "only under policies prepared by the commissioner of finance and administration in consultation with the commissioner of personnel, the comptroller of the treasury, and the attorney general." However, the Department of Finance and Administration has failed to issue a policy.

Management concurred with the finding and indicated that they had assisted the Department of Finance and Administration in the development of a policy and that they intend to comply with the policy when it is issued.

3. The agency does not have a formal written policy for providing housing to nonstate employees. The agency has provided housing to nonstate employees in exchange for services. However, the agency does not have a formal, written policy stating who may live in these state-owned houses.

Management concurred with the finding and indicated that they have offered to assist the Department of Finance and Administration in developing a policy.

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## OBSERVATIONS AND COMMENTS

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### TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

*Tennessee Code Annotated*, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. For the year ended June 30, 1996, the Tennessee Wildlife Resources Agency filed its compliance report and implementation plan on July 2, 1996, and for the year ended June 30, 1995, on June 30, 1995.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

The State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor is currently evaluating which office in the Executive Branch will be the new monitoring agency.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report, *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

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## APPENDIX

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### DIVISIONS AND ALLOTMENT CODES

Tennessee Wildlife Resources Agency divisions and allotment codes:

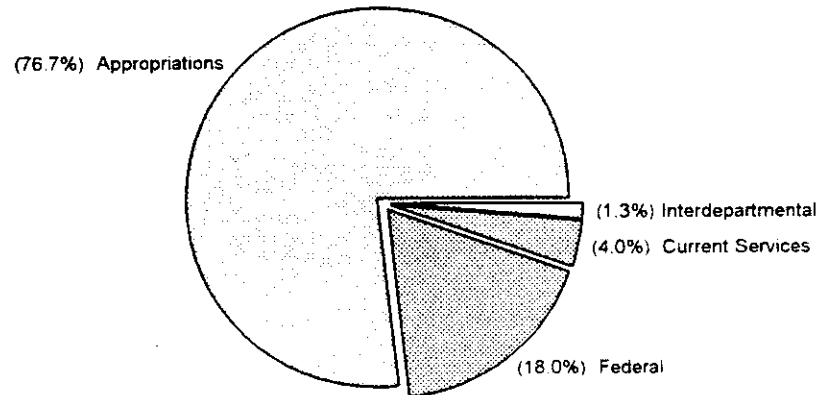
- 328.01 Tennessee Wildlife Resources Agency
- 328.02 Boating Safety Act
- 328.03 Wetlands Acquisition Fund
- 328.04 Wetlands Compensation Fund



## Tennessee Wildlife Resources Agency

### Funding Sources

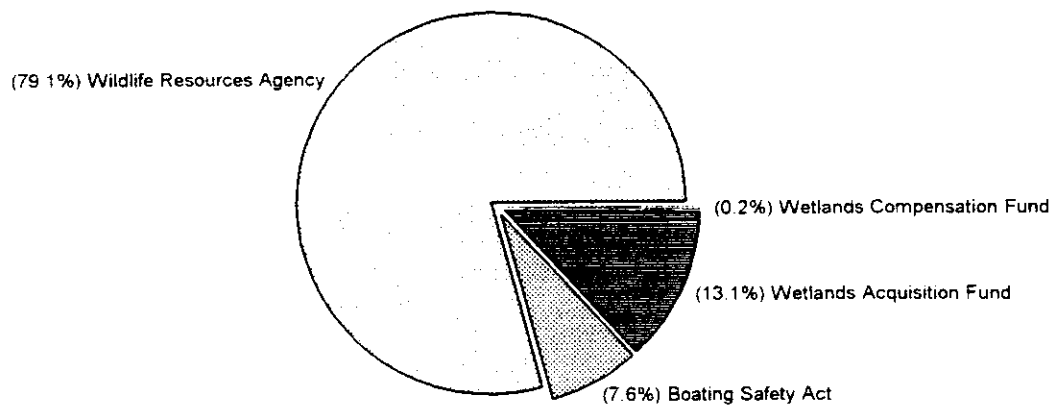
Fiscal Year Ended June 30, 1996 (Unaudited)



Source: Tennessee Wildlife Resources Agency

### Expenditures by Allotment & Division

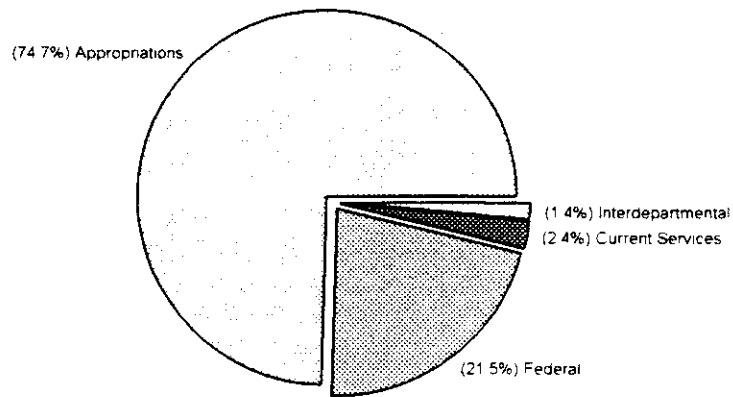
Fiscal Year Ended June 30, 1996 (Unaudited)



Source: Tennessee Wildlife Resources Agency

### Funding Sources

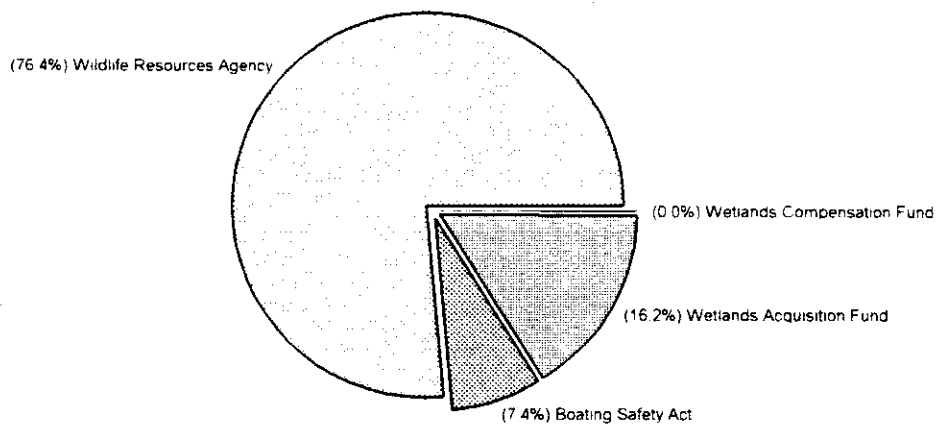
Fiscal Year Ended June 30, 1995 (Unaudited)



Source: Tennessee Wildlife Resources Agency

### Expenditures by Allotment & Division

Fiscal Year Ended June 30, 1995 (Unaudited)



Source: Tennessee Wildlife Resources Agency